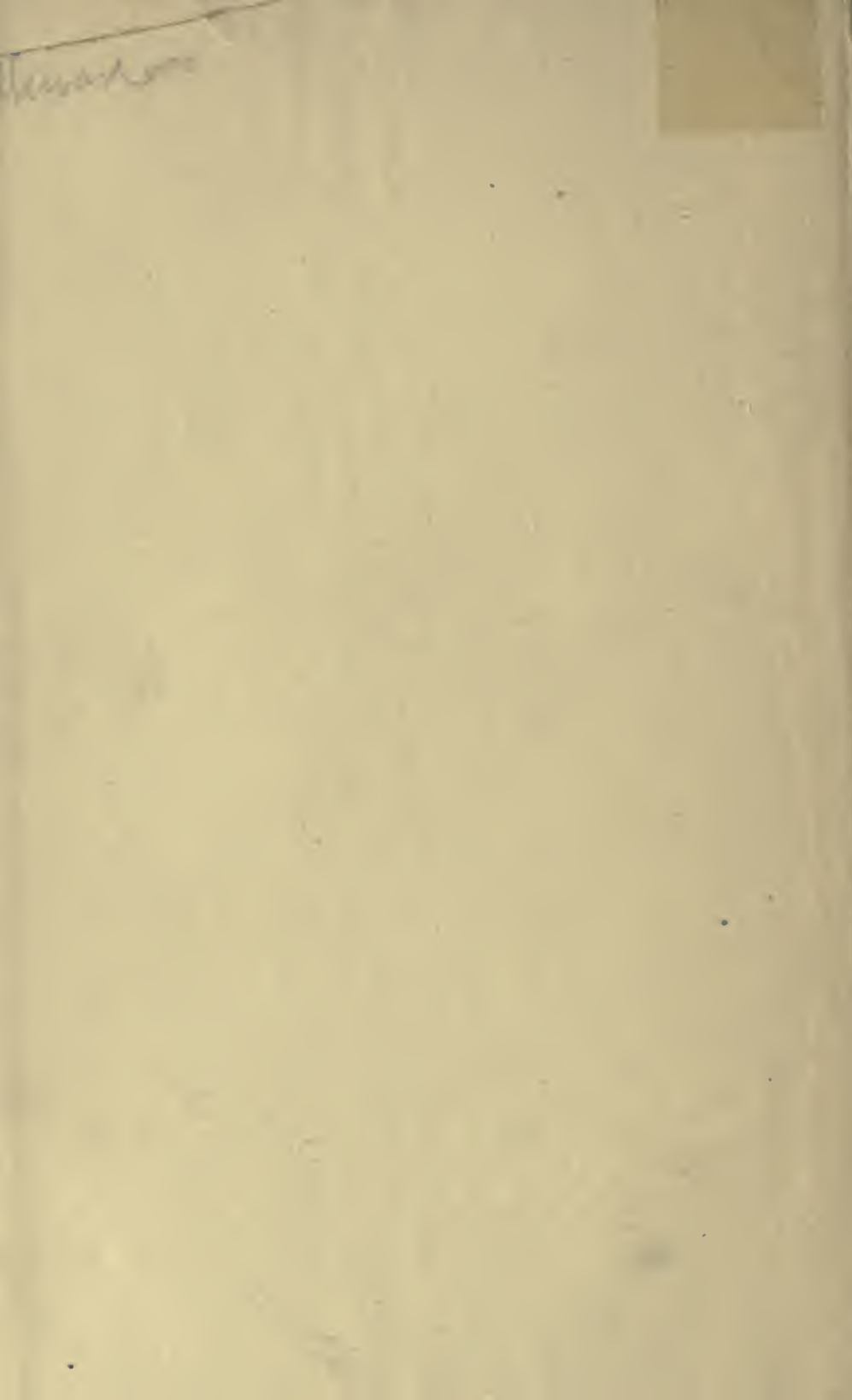


REVIEW  
OF  
PROFESSOR SUMNER'S SPEECH  
BEFORE  
THE TARIFF COMMISSION.

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BY GEORGE BASIL DIXWELL.



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# TARIFF COMMISSION.

PHILADELPHIA, PA., OCT. 14, 1892.

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PROF. W. G. SUMNER, of New Haven, Conn., addressed the Commission as follows :—

"I have noticed that in the discussions which have taken place before this Commission there has been a constant reiteration of some false doctrines of theoretical political economy about wages. If there is to be any theoretical political economy admitted, it is worth while to have it correct. I have therefore thought that it might be proper for me, as a professional student of political economy, to appear here and read a paper setting forth the true relations between protective taxes and wages."

Mr. Sumner assumes that, being a professor of political economy in a great institution of learning, he is competent to correct what he alleges to be a gross error in the public mind in regard to the relation between protection and wages. His reasons shall be carefully examined; but we must first ascertain how much deference we ought to pay to his opinions on the ground of his being a professor. What guarantee does that fact give of the accuracy of his doctrines? Let us see how it has been with others over whom Mr. Sumner could hardly claim superiority.

First let us take Prof. Adam Smith, the very distinguished author of the "Enquiry into the Nature and Causes of the Wealth of Nations." He was as certain as Mr. Sumner of the correctness of his opinions; indeed, he was not the least bashful about intimating that the "notions" of all statesmen and lawgivers were childish in comparison with his.

But Prof. J. R. McCulloch (equally positive) declared that Adam Smith was in error upon more than eighty points, many of them of great importance.



Mr. John Stuart Mill, also, who was so distinguished a thinker and reasoner as to be ranked perhaps almost upon an equality with the professors of political economy, declared that the work of Adam Smith was "in many parts obsolete and in all parts imperfect"! and Mr. Mill could not agree with Malthus, Chalmers, or Carey.

But Professor Cairnes dissents in very important points from Mr. Mill, although declaring himself to be a humble follower; while Professor McLeod, in a work which has had an immense success upon the Continent of Europe, maintains that Mr. Mill and all his school are in error as to the very method of studying political economy, — they declaring that it should only be studied by the deductive, he that it can yield correct results only when investigated by the inductive, method.

Professor McLeod also, in his Dictionary, falls foul of other professors upon various points, especially upon their doctrine that absenteeism is no injury to a country; and he presses his own views with such vigor and warmth as might lead a hasty reader to infer that his opponents were little better than blockheads. But it would be a very precipitate reader who would draw such a conclusion. Each of these great thinkers made inestimable contributions to political economy, notwithstanding that each contradicts others and himself as well. To examine these contradictions and ascertain wherein and to what degree each was right, is a work to which plodding conscientious mediocrity is quite competent. The critic needs not the genius and inspiration of the author, but only the diligence which brings the author to the bar of his own methods of reasoning. Mr. Mill's great works upon Logic and Political Economy will furnish the tools by which to detect the few errors into which even Mr. Mill himself may have fallen; but they will never be discovered by one who, like Professor Sumner, draws his inspiration from Bastiat, Mr. D. A. Wells, and the Cobden Club Essays, and who from inability to understand Mr. Mill's methods is quite incompetent to distinguish between the propositions which are and those which are not consistent with those methods. Professor McCulloch's paradox regarding absenteeism passed for science for thirty years without, however, making any impression upon the popular mind; but at last the



error in his reasoning was recognized, and his position abandoned by several even of the free-trade writers.

We see, then, that we cannot safely indulge our laziness in allowing a professor to think for us. He has no sources of information which are not equally open to statesmen and educated business men, all of whom have been pupils of the professors and afterwards pupils in the great school of practical life, where they often learn first to doubt and then to discard much which had been learned at college.

The professor, in fact, stands at some disadvantage. He is obliged to teach the same old propositions year after year, until they root themselves in his mind too deeply to be torn up; in short, he is very liable to fall into that condition which is described by Carlyle as being "possessed by Fixed Idea." In ordinary life he has nobody to challenge his opinions, and he must therefore be more likely than others to become dogmatic, and to be prone to wrath whenever he does encounter opposition.

Like Professor McCulloch in the matter of absenteeism, Mr. Sumner comes forward to sustain a paradox, and to prove by dialectics that wages are not higher by reason of protection; that is, he has set himself the task of proving that an opinion generally entertained upon both sides of the Atlantic during all past time is entirely erroneous. It was necessary in the interest of the free-trade party and of the Cobden Club that somebody should make the attempt, and it was perhaps judicious that he should be one who would carry before him the shield of a great institution of learning; but we have said enough to show that this, after all, amounts to very little, and that the reasons of a professor must be brought to the test as rigidly as those of any other individual. Let us now examine them.

"I learn, from the reports of the proceedings before this Commission, that some people believe that protective taxes make wages high, and at the same time that high wages make protective taxes necessary. If the Commission should act on these two doctrines, it would first raise taxes in order to raise wages in obedience to a delegation of workmen, and then raise taxes again in order to offset the previous increase, in the interest of a delegation of employers, and so on forever. These two notions, therefore, contradict each other and produce an absurdity. They are both false. Protective taxes

lower wages, and high wages are a reason for free trade, not for protection. These two propositions confirm and sustain each other, and so ratify the truth of each."

The logical deception in this paragraph consists in the substitution of a universal for a limited proposition. Men who investigate cases in political economy, whether by the deductive or inductive methods, embody their conclusions in a set of words which, taken with the circumstances of the case known to all the world, are limited with sufficient exactness to prevent anybody of ordinary caution from falling into error.

Thus Adam Smith, Fisher Ames, Mr. John Stuart Mill, and many others have noticed that where cheap land is to be had men will flock to it, unless drawn to other pursuits by wages high enough to overcome the attraction of the land. Adam Smith, speaking of the Colonies, says: "From artificer a man becomes a planter, and neither large wages nor the easy subsistence which that country affords can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter, who cultivates his own land and derives his necessary subsistence from the labor of his own family, is really a master, and independent of all the world."

Here the inclinations of the individual are opposed to the interests of his class and to those of the whole community, which tends to become disproportionately agricultural, to depend more and more upon distant nations for everything except food, and to become poorer and poorer as it increases in numbers. The demand of the outer world for the food and raw materials of the United States cannot increase as fast as the home population; for the outer world can take payment for the conversion of raw into finished products only in a few articles of comparatively easy transportation, while the home artificer and manufacturer take payment in every sort of product and every sort of service. Let the producers of food and raw materials allow to the other classes such emoluments as are sufficient to induce a portion of the community to abstain from becoming farmers, and the nation will grow symmetrically. The daily increasing numbers and skill of the other classes will give the market which will enable agricul-

ture to avail itself of better tools, machines, drainage, and other improvements. The emoluments of the other classes, meanwhile, can never exceed the limit named, — to wit, that which balances the disposition of an individual to become an independent landowner. If it goes beyond this for a while, more persons will abstain from farming, and the balance will be restored. But before the introduction of manufactures there is not only the difficulty of high wages but also that of want of skill. Without a protective duty adequate to shut out the foreign article nothing can be done. The duty being laid on raises the price, but not to the extent of the duty, for the foreign price declines under the reduced demand. If, however, the duty be sufficient, the manufacture is introduced at a certain price which covers the higher wages and also the want of skill. This rise in price is for the moment a disadvantage to the portion of the community who before obtained a sufficiency of finished products; but the articles come at once within the reach of a wider circle, who before could not obtain them at all, or not in sufficient quantity, on account of the low price or unsalableness of their crops. The duty removes those who were causing an agricultural glut, and whose labor therefore produced less than nothing, and puts them upon the construction of finished products which are pure gain to the community. The gross annual product is increased by their whole value. There is more to divide, and demand and supply ultimately distribute the increase throughout the community. The farmer and planter are the first to feel it. Their occupation becomes more remunerative; and from this movement there follows a rise of wages in the non-agricultural portion of the community. The working of the economic forces is progressive, not simultaneous or instantaneous. The protective law first relieves the agricultural glut and apathy, and this in turn causes an increased demand for finished products. Wages in all departments will gradually advance, but they can augment no farther nor faster than the gross annual product. The protective tax, as Professor Sumner likes to call it, simply removes an obstacle which prevents the best and the natural distribution of the population. As skill increases, the price falls under home competition until it covers only the difference in the cost of labor;



and the skill may increase so as to cover this also, and give the community the article as cheaply as it could be imported without any duty. Such is the case with regard to tools, locomotives, agricultural machinery, and many other goods, including the greater part of the cottons consumed in the country. Such appears to be nearly the case with regard to the woollens used by the bulk of the people. The fine cottons and woollens which are objects of ostentation are still mostly imported. The duty on them gives a large revenue to the Government, and in reality comes out of nobody, as their higher price only fits them the better to enable A to appear as rich as B. It is these duties, however, — the duties upon objects of luxury and ostentation, — which irritate some of the salaried classes who do not understand political economy, and even some professors of the subject. They think themselves oppressed, they hate the manufacturers who live more showily than they can, and they make every effort to persuade the bulk of the people that they also are the victims of oppression.

If they understood the subject they profess, they would know that if its present objects were cheapened to ostentation, it would reject them and fly to others; and they would also know that whatever social *necessity* there may exist for such indulgences must surely in the long run be considered in the salaries paid them. But this necessity does not go a great way. The high respect which they and their families command on account of their much honored office relieves them from such necessity. The wise, temperate, truthful, benevolent, right-hearted professor is as welcome in homespun as is Croesus in broadcloth; and if any individual fail to command respect, it can only be because he is an exception to the rule, and wanting in the high intellectual and moral qualities usually exhibited by professors. But to return to the price of manufactured goods. It must be sufficient to pay the wages of labor and the profit on capital usual in the community. Higher than this it cannot be for any long time, and it cannot be long lower. Monopoly has had no place in political economy since the discussion upon that point between Say and Ricardo.

It will be seen, then, that the propositions of the protection-

ists,— 1. That a duty raises wages gradually as the annual product increases; 2. That high wages (so far as wages affect the cost, and are not overmastered by greater efficiency) make protection necessary,— are limited. Within the limits naturally and necessarily attaching to them they are not contradictory, and they do not produce an absurdity.

But for these limited propositions Mr. Sumner substitutes two universal propositions,—

1. That a duty always raises wages, and raises them in proportion to its magnitude.

2. That high wages always make protection necessary, and necessary in proportion to their height.

These universal propositions he endeavors to impute to the protectionists, depicting the Commission first raising the duty in order to raise wages, and then raising it again to compensate the manufacturer for the higher wages, and so on. It is an ingenious sophism, well calculated to impose upon those whom a technical education has deprived of their natural intuitive judgment, while only half teaching them how to reason by propositions; but it would never impose upon any thoroughly educated person nor upon any practical man. The latter would put it aside at once as nonsense, and I fear would even think me a fool for spending time in showing it to be so.

What would the Commission have answered to a deputation of either workmen or employers asking for an advance of the duty for such purposes? Why, that if the industry already existed, and upon an average of years was paying the rate of profit usual in the community, then the duty had done all that it could do,—it had excluded the foreign product, and left the price and the wages to be arranged, as they must be, by the internal demand and supply. Higher duties, the Commissioners would have said, cannot raise your wages any more, nor raise your profits. An additional amount would positively have no effect.

To this the committees might say, Why not, then, raise the duties? And the only answer that could be given them would be, Because, if we raised the duties, it would be a handle for demagogues to use with those uninformed about such matters. It

would be represented that the additional ten or twenty per cent was added to the price.

The "Boston Transcript," "Globe," "Herald," and even such high-toned papers as the "Advertiser," and the "New York Times" admit articles based upon this economic absurdity. The "Herald" even published an article which declared that the manufacturers of woollens could make the common goods suitable for the general consumption as cheaply as they could be made abroad, and yet took one hundred and thirty-five per cent profit to the detriment of the hod-carrier and poor sewing-girl! All business men who were in vain trying to find investments to pay six per cent were amused, but uninformed people were misled.

The next two paragraphs read as follows:—

"The interests of the man who pays wages and those of the man who receives wages are antagonistic. The one wants wages low and the other wants wages high. The protectionist legislator pretends to step in between them and satisfy both at once. He pretends to make both parties happy at once. 'I am going to make your wages high,' says he to the wage receiver. 'What, then, will become of me?' says the wage payer. 'I will make wages low for you,' he replies. 'How is that?' cry the laborers and all their friends; 'you are going to make wages low?' 'No,' replies the legislator, 'I mean that I will make the price of the products high, which will have the same effect for the employer.' 'But how is that?' cry the consumers; 'you mean to make prices high by law?' 'No,' replies the legislator, 'I do not really make prices high; it only looks so. My measures really make prices low.' We have here, then, the greatest miracle that has ever been accomplished. We have heard of making something out of nothing, but here we have creation and destruction in one and the same act. Certainly the problem of universal happiness is solved if we have found out how those who buy need pay little, and those who sell may at the same time receive much; how prices may be raised for the producer and lowered for the consumer both at the same time. As we are all producers and all consumers, we may all sell at the high prices and all buy at the low ones, and all get rich together. This is why it is that the protected manufacturers are found belling what they are short of (that is, labor) and bearing what they are long of (that is, products). They have discovered this wonderful system by which all are to bull everything and bear everything at the same time, and win a big difference out of nothing. No wonder the protectionists are enraged at the economists who are still stupidly teaching that we can produce nothing except by applying labor and capital to land.

"Who is the beneficent genie, now, who works all the magic of the protectionist system? It is tax. If taxes are only rightly adjusted, says the pro-



tectionist, they make wages high and low and prices high and low both at the same time. When one hears this kind of nonsense, one is forced to believe that the sum of superstition in the world is a constant quantity. Superstition is a defective sense of causation. The savage who wears a bone tied to his arm as a fetich to ward off misfortune believes that there is a connection of cause and effect where there is none. The astrologer thought that the relations of the planets to each other affected the fate of persons born at a certain time. He saw a connection of cause and effect where there is none. The protectionist legislator lays a tax and goes home secure in the faith that wages will be high, prices low, and prosperity stable, as if there were a fixed, direct, and inevitable law of nature connecting taxes with social welfare and nothing else. This superstition is more wild than feichism or astrology."

As Mr. Sumner says, "When one hears this kind of nonsense,<sup>1</sup> one is forced to believe that the sum of superstition in the world is a constant quantity;" but if superstition be a defective sense of causation, then Mr. Sumner certainly is the most superstitious man on earth, for he shows an unparalleled inability to appreciate the action and reaction of economic causes.

General Jackson, writing in 1824, said: "The American farmer has neither a foreign nor a home market, except for cotton. Does not this clearly prove that there is too much labor employed in agriculture, and that the channels of labor should be multiplied? Common sense points out at once the remedy. Draw from agriculture the superabundant labor, and employ it in mechanism and manufactures, thereby creating a home market for your breadstuffs, and distributing labor to a most profitable account, and benefits to the country will result. Take from agriculture in the United States six hundred thousand men, women, and children, and you at once give a home market for more breadstuffs than all England now furnishes."

Benjamin Franklin, writing in 1771, said: "Every manufacturer encouraged in a country makes a part of a market for provisions within ourselves, and saves so much money to the country as must otherwise be exported to pay for the manufactures he supplies. Here in England it is well known and understood that, wherever a manufacture is established, it raises the value

<sup>1</sup> The nonsense is Sumnerian nonsense exclusively, and is founded on a misstatement. No protectionist ever pretended to "make wages high and low and prices high and low both at the same time."

of the land in the neighboring country all around it. It seems, therefore, the interest of our farmers and owners of land to encourage our young manufactures rather than foreign ones."

The condition of affairs described by General Jackson was a verification of the deductions made from Adam Smith's remarks about the attractiveness of plentiful land. Reasoning led us to the conclusion that the tendency was to become unduly and unprofitably agricultural. Our country tried the experiment, and found it was so. Mr. John Stuart Mill also recognized this tendency, and he recognized it as a difficulty out of which the efforts of individuals to benefit themselves cannot extricate a community: that *laissez faire* is entirely impotent, and government assistance — that is to say, the combined action of the whole community — imperatively necessary.<sup>1</sup> Mr. Sumner lingers behind Mr. Mill about a hundred years, and knows, or appears to know, no more upon the subject than Adam Smith knew in 1755, when he gave his lectures, which were afterwards published under the title of an "Enquiry into the Nature and Causes of the Wealth of Nations." How long will Harvard and Yale insist upon being the Sleepy Hollows of Political Economy, from which pupils emerge with ideas that have been obsolete for a century?

What Jackson recommended was done by the tariff of 1824. The people, removed or retained from the land where they could only add to a surplus already unsalable, produced finished products, and the whole value of their labor was just so much added to the gross annual product of the country, which, being distributed by demand and supply, could produce no other possible effect than to increase all incomes, — rent, profits, and wages. The price at which the new products sold may have been at first thirty, forty — if you please, even fifty — per cent higher than they could be imported for; but we got the commodities, and did not have to export money or commodities to pay for them. The totality of consumers may have had to pay one hundred and fifty millions for what before cost one hundred millions, and so lost fifty millions; but they had the commodities, and in their capacity of producers, or livers upon the rent or profits of pro-

<sup>1</sup> See Book V. Chap. XI. § 12 of his "Political Economy."

ductive instruments, or upon salaries drawn from the general prosperity of the country, they gained the one hundred millions which would otherwise be sent abroad; and as increasing skill produced the articles with less and less labor, the legislator's "little tax" became less and less.

Paragraphs 5 and 6 are as follows:—

"In discussing the effects of taxation, ambiguity is often introduced by not distinguishing carefully the alternatives which may be imagined. If we could imagine a state of society in which vice, passion, and other destructive forces no longer existed, government could be dispensed with, or it would sink into some low form of co-operation for common purposes. Taxes could then be dispensed with. If we compare our present condition with any such ideal state of things, all taxes are minus quantities, reducing by so much the available wealth and attainable comfort of the community. But such an ideal is a mere poetic dream. If we had no government we should have vice and passion running triumphantly through society, wasting and destroying on every side. Comparing our present condition with that state of things, the taxes which we pay for security, peace, and order as products of civil government are a small loss incurred to prevent a great one. Such is the only sensible and correct view of taxes. They are never anything but loss and diminution of wealth, and it is as impossible to convert them into productive forces as it would be to make destruction create, or waste save. Every tax is on the defensive, so to speak. It is necessary to justify every cent which is drawn from the community by taxes, and to show that all the capital thus consumed is necessary, under the existing order of things, to secure the protection of society, on the cheapest terms, against the forces which would disturb security, peace, and order. If the taxes were large enough, they might, as in Egypt or Turkey, almost take the place of the evils against which governments pretend to guard society. Every unnecessary cent of taxation is, therefore, a pure evil. Government in Egypt and Turkey, and in much of Asia, is not an organization to defend society against evils. It is only an organization by which some plunder all the rest, and taxes are the means by which they do it. Wherever any taxes are laid for any other purpose than to provide civil order, peace, and security, government approaches by just so much towards the Turkish pattern. Such is the case whenever protective taxes are laid.

"Taxes which ward off greater evils at the lowest practicable cost are economical. They do not lessen the average comfort of the people. Taxes which do not conform to this description do lower the average comfort of all classes of the people. The wages class has no separate interest in the matter which either can be or ought to be considered by itself. It is pure demagogism to say that it is the business of the government to make wages high. If I discuss the effect of taxes on wages, it is only by way of meeting the question in the form in which it is raised. Protective taxes do not aim to produce



good government, or to accomplish any civil purpose at all. Their aim is industrial. They are planned to help some people to get a living. They interfere, on behalf of certain persons, with the conditions of production and the relations of competition. A man who engages in a protected industry has some other reliance in his business than his own capital, energy, enterprise, prudence, &c. The man who is in an unprotected industry has something more to guard against and contend with than the problems of his industry and the difficulties of the market. One of these parties has a special advantage created by law at the expense of the other party, who is therefore under a special disadvantage. These protective taxes, therefore, cannot be defended or justified under a sound view of the function and justifiability of taxation. They waste labor and capital, and keep the wealth of the country less than it might be for the labor and capital which have been expended. Let us examine in particular their effect on wages."

In these Mr. Sumner lays down several propositions which are incorrect in fact, and several which have been repudiated by McCulloch, Mr. John Stuart Mill, and the other great authorities in political economy. He implies that the only permissible functions of government are the providing of security, peace, and order. This contradicts all the great economists who affirm that government has many other duties. He then draws attention to the fact that taxes which are levied in Egypt, Turkey, and Asia are squandered without giving the security, peace, and order under pretence of giving which they are collected; that they are an organization by which some plunder the rest. Then he says that wherever there are protective taxes the case is similar.

#### PROTECTIVE TAXES.

This was the title of an article, by Mr. Sumner, in the March number of the "Princeton Review" of 1881. As it was calculated to mislead the public, backed as it was by the weight of a great institution of learning, I replied to it in those terms of studied respect which were due to the office of teacher. In my reply I said: "A protectionist cannot even pass by the title without objection. A tax is not necessarily a burden. If the money be well and economically expended, and gives us good roads, good water-works, good police, and good government for what they ought to cost, then a tax is a great blessing and saving; but, unfortunately, the money is often expended recklessly and foolishly, and so, *through abuses*, the very name of tax becomes offensive.

The free-trader, who writes about "protective taxes," avails himself of this existing prejudice, with the effect of disgusting the reader with protection in advance of all argument in respect to it. The word *tax* also gives two false impressions: first, that all protected articles cost the consumer more than they would if not protected; and second, that when they cost more, the consumer gets no counterbalancing or greater overbalancing advantage."

The effect of the taxes which are paid for government services press with double weight when doubled, with treble weight when trebled. A duty laid on for protection has, and can have, no such effect. If thirty per cent would shut out the foreign article, all is done which can be done by the tariff. Forty or fifty or sixty per cent can do no more. I also pointed out that, even if our cottons, woollens, and iron cost the consumers one thousand millions, while they could be imported for seven hundred millions, still we have our cottons, woollens, and iron, and we keep seven hundred millions annually at home, which would otherwise have gone abroad, and could not have been balanced by any alternative occupation upon the land, since the land even now cannot sell to advantage all that it can produce.

Mr. Sumner, however, continues to avail himself of the catch-word of "protective taxes;" and the whole of his address to the Tariff Commission assumes and presupposes that the pressure of a tariff upon the consumer is in proportion and equal to the rate of duties imposed, and that these duties inure to the benefit — in fact, go into the pockets — of the protected manufacturers who, according to him, hold a monopoly.

In pursuing this line of argument, after full notice of its inapplicability, Mr. Sumner proves one of two things. He is either ignorant of the political economy of the latter half of the nineteenth century, and incapable of comprehending the reasoning of Say, Ricardo, McCulloch, and Mr. John Stuart Mill, or else he shuts his eyes to the truth under the influence of personal or party passion. He is welcome to either horn of the dilemma. It is no satisfaction to me, or to any fair-minded American, to see him in such a position; but, on the contrary, it is a source of mortification and humiliation. To us professor connotes all

that is honorable, dignified, temperate, benignant, and wise. When he condescends to enter the arena of politics, the passions of the crowd stand overawed by the calm and majestic presence. The bandying of libellous crimination and recrimination, the unjust imputation of base motives, the giving and taking of the lie, — all are hushed. So would Harvard's Kirkland, or Everett, or Walker, or Sparks, or Peirce, or many others in such a position, calm and sway and elevate the people. We have come to expect this; and the opposite action of Mr. Sumner affects us like some horrible discord in music, or some frightful want of harmony in colors.

In short, there are proprieties attaching to every position in life, and we could not tolerate an actor who, in the garb of Socrates, should, upon the appearance of a fierce mastiff, descend upon all fours and endeavor to outbark and outbite the ferocious animal.

When a professor appears we feel that he should be able to *show* propositions to be unsound, if they really be so; and when he denounces them as "lies" we can only distrust his ability to make good his assertions. In paragraph 7 he says: —

"Anything which lessens the number of persons competing for wages, or which increases the amount of capital which may be divided in wages, increases wages. In a new country in which there is an immense amount of unoccupied land, and in which the amount of capital required for tilling the soil is small, any man who has a pair of stout hands, although he has no skill and very little capital, may become a landowner and agriculturist. He is then withdrawn from the wages class; he lessens the supply of labor in the labor market; and, as an independent producer, he contributes all the time to the capital of the country. Every man of the unskilled labor class, therefore, has an alternative offered to him. He is never driven by starvation into a desperate competition with others in the same predicament to work for low wages. He is on the right side of the market. Supply and demand are in his favor. He owns a thing for which there is a high demand in the market. The comfort he could win on the land fixes a minimum below which wages cannot fall. If they do temporarily fall below that minimum, the laborers take to the land, as they did in the hard times a few years ago. Since the comfort obtainable from an abundance of cheap and fertile land is high, the minimum of wages is high. This makes the average wages of the country high. High wages, therefore, simply mean that the soil of this continent is rich, the climate is excellent and well varied, the rivers are large and convenient, the mountains are full of metal and coal, the people are industrious and energetic and are



eager to accumulate, the public order is fairly secure, and the general intelligence is good. The conditions of production are, therefore, good, and we produce a great deal. We accumulate capital far more rapidly than any other people in the world."

I beg the reader to look again at this paragraph. He will see that Mr. Sumner admits that what a farmer can make from his land is equal to the minimum of wages. When skilled artisans and manufacturers from any cause fail for a length of time to obtain this *minimum*, they take to the land. He does not seem, however, to perceive what was so plain to Adam Smith, to wit, that the normal condition of agriculture, where there was plenty of land, was less profitable than the non-agricultural industries, *because* the farmer's position is more independent, and one in which the mere possession of food is certain. Those greater advantages are counterbalanced by a smaller profit, just as the high dignity of a professor causes his salary to be less than that of just the same sort of man employed as a treasurer to a mill. Adam Smith has an interesting chapter upon this point, which has been accepted by all subsequent economists, and which I recommend to Mr. Sumner's attention.

The word *minimum* presupposes and admits a normal something greater than the minimum. It concedes the point that in a community like ours the non-agricultural industries are more productive than the agricultural; that under the action and reaction of demand and supply among ourselves, the man who works at a trade or carries on a manufacture adds more to the gross annual product than the farmer does. The latter takes out the difference in feelings of independence and perfect security. But here Mr. Sumner would object that he has nothing to do with the play of industrial forces among ourselves; that he refuses to consider them; that political economy regards the whole world; that there is a country called Great Britain which will take our agricultural products and give us in exchange finished products at a much better bargain than our artisans or manufacturers can or will give. And this position he immediately demonstrates in the following manner. He picks out some article such as iron or fine woollens, and shows that at the present prices for cotton or for wheat here, and the present prices for iron and woollens there, the imported

article without duty would be a good deal cheaper than the domestic product. But this argument assumes that if we had occasion to sell more largely abroad we should obtain as high a price as now, and that if we had occasion to buy more largely abroad we should buy as cheaply as now. If Mr. Sumner will propound the propositions embodying these assumptions to any merchant he will be set right, or he can be set right without going out of Yale, by turning to Mr. John Stuart Mill's chapters upon International Trade.

Our non-agricultural industries add at least three thousand millions to the value of the materials they deal with. We now find a market abroad for some seven hundred millions of raw products; but we find it with difficulty, and only when the food crops of all Europe are short.

The idea of selling three thousand millions more at any price, or one thousand millions more without a reduction of forty to fifty per cent in our prices, is an idea which no well-informed merchant and no well-informed economist would entertain for a moment.

His premises do not lead to his conclusion that "high wages simply mean that the soil of the continent is rich, the climate is excellent and varied," &c. These things do not, by his own showing, account for the high wages that exist, but only for a high minimum of wages, high as a minimum, but a good deal less than what we enjoy. His observation that "we accumulate capital far more rapidly than any other people in the world" is *prima facie* evidence that our present organization of industries, as brought about by a protective policy, is better than that of any other nation; but it is totally irrelevant with regard to an entirely different arrangement such as Mr. Sumner would prefer.

It is tedious to be obliged to refute such sophistries. Paragraph 8 says:—

"It is one of the humors of the tariff that the politician appears at this stage and says, 'Oh, no! you are quite wrong in attributing the prosperity of the country to those causes. It was I who did it, with my little taxes. The country has prospered because I taxed it vigorously. If I had not put on my taxes the country would have been ruined.' He argues that an industrious people on a fertile soil could not have got food and clothing out of it if they had not had the right taxes. A further touch of the ridiculous, however, is

added by those politicians who declaim about the dignity of the American laborer. To listen to the speeches and read the editorials, one would think politicians formed a standard of comfort which they thought suitable for the American laborer, and then just passed the right laws to get it for him. It is said that *our* laborers ought not to be on the standard of comfort of European paupers. It must be, then, that the American sovereign can formulate his demands on nature. He makes up his mind what is suitable to his own majesty, and serves notice on nature to provide it. His attorney, the politician, justly indignant that nature does not respond, passes a law to secure the becoming thing for his noble client, the American laborer. In this view of the matter certain persons are 'nature's noblemen' in a sense not heretofore used. A little examination shows us, however, that we are only dealing with an old fraud under a new face. The old-fashioned nobleman drew his drafts, not on nature but on his fellow-citizens, and, as his friends were in control of the government, they got payment for him. The American sovereign can get nothing from nature which he does not earn. If the politician meddles in the matter, he can only rob one sovereign to favor another. That is all that he ever has done. That process has never made us any richer, but only poorer."

The protectionists do not argue that an industrious people on a fertile soil could not get food and *some* clothing out of it, &c. They argue that fifty millions of people, situated like those of the United States, could not have got food, and anything like their actual present quantity of clothing, and all other conveniences, had the foreign products been left free to come in.

The American sovereign, it is true, can get nothing from nature which he does not earn; but he will earn twice or three times as much under a rational distribution of industries as he can if confined to the production of raw products, for which there is no adequate foreign demand, and for which the growth of a domestic demand is prevented by the constant presence of foreign products ready to be sold for money. Mr. Sumner is in error in alleging that if the politician — say rather statesman — meddles in the matter he can only rob one sovereign to favor another. The statesman who promotes measures which bring about a suitable diversity of employments can cause, and in the United States has caused, the total annual product per head to be doubled and trebled, thereby doubling and trebling the aggregate of all wages, all profits, and all rents. He can cause and has caused a prosperity which shall endow great institutions of learning and fill them with instructors whose salaries are vastly higher than they



could have been under a free-trade policy. Mr. Sumner's argument could be buried out of sight by evidence drawn from all recognized authorities, whether those on the protectionist or free-trade side of the question. But Mr. John Stuart Mill will suffice. Although breathing every day an atmosphere surcharged with free trade and consequently prejudiced in that direction, his "Political Economy" is full of passages the reasonings of which followed out to their full consequences prove all that any protectionist maintains. As to Mr. Sumner's dogma that any change wrought in society by the united action of the whole must be injurious, let the reader consult Book I. Chap. VIII. §§ 2, 3, and also Book V. Chap. XI. § 12, of Mr. John Stuart Mill's "Political Economy." Paragraph 9 says:—

"Under the conditions of the United States, a tax on immigrants would probably lower wages, not raise them. The country is underpopulated. So long as there is an immense amount of unoccupied land, the immigrants do not go to swell the wages class; they go upon the land; they open it up, win wealth from it, and contribute to the capital of the country. Each new-comer who is industrious counts more as a pair of new hands to produce than as another mouth to consume; and he may well add to the average wealth per head. Taxation has not even, therefore, in this country the field which it might have in some countries, if it were used to keep competitors out of the labor market."

I agree that under the present condition of the United States a tax upon immigrants would not raise wages, but not for the reason given by Mr. Sumner. The immigrants from European countries quickly assimilate themselves to us. They distribute themselves throughout the industries, and speedily *produce and consume* as much as others. The country simply grows symmetrically like a crystal or a tree, and so it will be until in the far distant future there comes to be a scarcity of land, mines, &c., in comparison with the population. Paragraph 10 reads:—

"If a tax on laborers could not raise wages, certainly no tax on commodities can do so. Protective taxes aim to keep certain foreign commodities out of the country. An army of custom-house officers must therefore be supported, not to collect revenue, but to prevent revenue from being collected. This device is kept up in order to secure the home market to the home producer. The home producer carries on his business at a loss. He says that he would lose capital if it were not for the tariff. His industry, he says, would not exist if it were not for the tariff. It is therefore conducted at a loss all the time,

only that the loss is not borne by the persons carrying on the business, but by the consumers of the goods. The protective system, therefore, involves the following expenditures: The pay of all the custom-house expenditures to keep up the system; wages and profits to all those who are carrying on the productive industries; the losses incurred by the protected industries. All these outgoes must be borne by the non-protected in order that there may be less goods of all kinds in the country than there might be under free trade. How then can protection increase wages, or the average amount of those goods which can be obtained by each laborer in the country? There could not be a more flagrant error. If there is anything cheap anywhere, the protectionists spring into activity to keep the American people from getting it. If there is an abundance of food, clothing, furniture, and other supplies which is offered to the American people on easy terms, the protectionists call it an 'inundation,' and run to set a barrier against it. A few weeks ago I saw a hundred women waiting for hours on the sidewalk for the opening of a store at which some fire-damaged goods were to be sold cheap. A protectionist must hold that those women were insane, or that they were selfishly ruining the country. It is impossible to raise wages by opposing cheapness and abundance. The protective system lessens wealth; and until somebody invents an arithmetic according to which 10 will go in 70 more times than it will in 100, it is certain that a smaller dividend will give a smaller share to each person. The protective system, therefore, lowers wages."

This whole paragraph is based, as already pointed out in my former reply to Mr. Sumner, upon the fallacy of division. Under our present industrial organization we have our own food and raw materials, and export, at present prices, say seven hundred millions of raw products. Our farmers sell these seven hundred millions abroad, and they sell twelve hundred millions at home. Mr. Sumner's microscopic vision sees only the present. He assumes that if our farmers had to sell nineteen hundred millions abroad instead of seven hundred, they would get the same price. With the seven hundred millions of raw products, we now buy abroad say three hundred and fifty millions, which we could not produce, of tropical products, and a like quantity of the finer manufactures which we cannot yet produce under existing duties. If we did not produce finished products for ourselves, we should have to buy not only what we now buy, but many times that quantity. Mr. Sumner assumes that under such circumstances the price of imports would be the same as now! Or, leaving out the reference to price, he assumes that whereas now we exchange three hundred and fifty million dollars worth of raw products

for the like amount of finished commodities, we could exchange at the same advantage, if we were under the necessity of selling and buying abroad, four times as much! Neither Mr. John Stuart Mill, nor any other economist of capacity to take in the whole problem, would maintain such a proposition. Under the supposed change we not only should obtain our finished products at a much less advantageous exchange for raw products than we do now, but, over and beyond this, we should not be able to obtain more than probably a third part as many. Our total gross annual product would not be 100 to 70, as Mr. Sumner deduces, but as 70 to 100 rather; and until somebody invents an arithmetic by which 10 will go into 70 more times than into 100 it is certain that a smaller dividend under free trade will give a smaller share to each person. Free trade, therefore, would lower wages. Paragraph 11 says:—

“Let us next look at the effect of protective taxes on the alternative which is open to the American laborer to go upon the land. The protective taxes enhance the cost of all articles of clothing, furniture, crockery, utensils, tools, and machinery. They also increase the cost of fuel and transportation. They therefore reduce the amount of all the commodities mentioned which a farmer can get for a certain amount of farm products. They therefore lessen the profits of agriculture in all its forms, and lessen the attractiveness of the land. Whatever lessens the attractiveness of the land lowers the minimum gain of all manual laborers, increases the number of competitors in the labor market, and reduces the amount which the employer needs to bid in order to counteract the advantages of the land. Protective taxes, therefore, take away from the laborer the advantage which he has by nature in this country; that is to say, they take away from him part of his advantage in the labor market. Consequently they lower wages.”

Underneath the whole of this paragraph lies the above fallacy, which assumes that present prices of exports could be obtained if we had need to sell four times as much, and that imports could be obtained as cheaply if we had occasion to buy four times as much. Theory, as laid down by the greatest economists, negatives this assumption, as can be seen by reference to the passages in Mr. Mill's work already indicated. Experience contradicts this, as shown by the quotation already made from Andrew Jackson. The truth is as follows: Protection prevents a vast number of people from flying to the land, and makes them consumers in-



stead of producers of raw products. It diminishes the aggregate of the farmer's products, and increases the demand. They therefore increase the profits of agriculture in all its forms, and increase the attractiveness of the land. Whatever increases this increases the minimum gain of all manual laborers, and increases the number of competitors for labor, and increases the amount which the employer needs to bid in order to counteract the advantages of the land. Protection therefore secures to the laborer the advantage which he has by nature in this country, and increases it by diversifying employments. Consequently it raises wages above what they could be under foreign competition. At the same time it hastens the moment when increasing skill may compensate for the higher moneyed cost of labor, for high wages lead to greater efforts and intelligence on the part of operatives, and to greater care in selecting the most skilful on the part of employers, and to a more extensive use of the very best machinery.

For the theory of this I appeal to Mr. Mill. For the verification of the theory I appeal to the experience of the United States, where the growing efficiency of labor has already in some cases overcome the effect of its greater cost per man, as is shown by the very many manufactured goods which we export, and by the approximation to a similar cheapness in nearly all which are used by the great bulk of the people. Champagne, fine broadcloth, silks, satins, gloves, feathers, &c., the objects of ostentation and luxury, are much dearer. Is it desirable to change our legislation in order to cheapen these? I beg the reader to carefully compare this reply with the paragraph to which it is an answer. Paragraphs 12 and 13 read:—

"It has been affirmed by protectionists that their system increases capital. Two ways have been alleged in which it does this, — (1) by improving the organization of labor, (2) by bringing capital into use which would otherwise be idle.

"1. The people of this country are all the time exercising their utmost ingenuity to organize their industry to the highest advantage. Partly they do this by instinct. Plenty of people never heard of the 'organization of industry,' but they are constantly arranging their business to save labor, and so gain time and prevent waste. They are also constantly laboring intelligently to secure a better organization of industry. But, after they have exhausted

their ingenuity, the protective system assumes that some other persons, viz. politicians and legislators, can see some better organization than the persons engaged in industry have themselves been able to devise. If one part of the American people have not invented the best organization of labor, we have no one else to call upon than some other portion of the American people, and we must appeal from the men of business to the politicians. The politicians, then, as an incident to their own occupations, rectify the errors and shortcomings of the business men. The mode they employ is taxes. It is the same old magic. But the business men have to bring intelligence to bear on the organization of labor, while the protectionist legislator never has brought any intelligence at all to bear on the problem, and he never can. Protective taxes have never been laid in view of any true knowledge of the industrial circumstances, and they never can be. A thousand commissions, sitting for ten years, and actually engaging in a real study of the industries of this country, could not win a knowledge of our industrial system ; and if they could acquire such knowledge of the industrial system as it exists on a given day, their knowledge would not be good for anything the day after, on account of the new inventions, discoveries, processes, lines of transportation, financial arrangements, and so on."

Here we have the antique doctrine that a man must know his own business better than any statesman can know it, and that the interests of the man are identical with the interests of the state. This was entirely refuted by John Rae (see pp. 1-32) some fifty years ago ; moreover, as pointed out by Mr. Mill, there are cases in which the interests of the whole nation and that of the individual coincide only when all can be made to act in a certain way.

The case of bankers is in point. Every intelligent banker sees that it is for the public interest and for his own that *all* bankers should keep a sufficient reserve ; but if some do and some do not, the reckless in fair weather take away the business of the others, and when a storm comes their failure throws a portion of the consequent loss upon those who have been prudent.

Protection is still more in point. Fifty millions of people may believe, and believe truly, that it is better for them to buy of one another, — that by such means a greater annual product can be reached, and hence a great benefit to *all* classes ; that there will be more produced, and hence more to divide. But the recipients of rents, profits, and fixed salaries see that *after they have got* their incomes, — after, in short, they have got the profit arising out of protection, — it would be an excellent thing if they could get

their commodities abroad. A and B and C wish to be paid very high profits or salaries by the rest of the alphabet, but not to give any employment in return. They do not see that under such an arrangement the rest of the alphabet would be quite unable to pay their profits and salaries. If a protective law binds the whole to the profitable course, it will be followed; otherwise, not. Each will say to himself, "The action of one individual can have no appreciable effect upon fifty millions; and whether it has or not, I want my fine broadcloth to be cheap: those bloated manufacturers are robbing, cheating, swindling, pillaging me," &c.

There are cases in which the intelligence of the statesman can promote the public good in a way that is unattainable in any other manner. This is admitted by Adam Smith in passages where he is not arguing for free trade, and is distinctly laid down by Mr. Mill. The argument, then, of Mr. Sumner is too obsolete to be repeated in the year 1882. Paragraphs 14 and 15 say:—

"We have here now fifty millions of people spread over a continent with great varieties of climate and soil, and we constitute the most energetic, restless, and indefatigable nation which has ever existed. To try to plan a system of artificial relations of industry for such a nation is the most ridiculous undertaking that could be proposed. Any one who talks of reaching a permanent adjustment of the tariff to fit the needs of all interests and do injustice to none is talking the wildest nonsense. Nothing less than the impersonal forces of nature can adjust interests under such conditions, and there is only one thing which can be predicated of any steps taken by the statesman, that is, that he will make mischief. A man who is running a railroad easily sees what crude nonsense people talk about railroading when they know nothing of the business. A banker makes the same observation. So does every other man in his own line. What chance is there, then, that politicians can deal wisely with the thousands of industries and interests in this country in all their manifold and complex relations to each other? We might as well try to establish, by legislation, a system of health which would prevent the people of the United States from ever being sick any more.

"Furthermore, the politicians never try to deal with the whole combination of industrial interests. They listen only to the most clamorous. They heed only those who win influence and so secure the position of favorites. They never bring any intelligence to bear on the question. How much assistance is needed? There never is any adjustment of means to ends. No tests are ever applied; no guarantees are ever given; no subsequent reports are ever made by the recipients of favor to show results for the expenditure. Each interest comes forward and asks for favor, and gets it for no reason save because it asked for it. The petitioner thinks that almost so much per cent



will do, and does not himself know or ever try to calculate what will be the effect of that much protection to him when offset by all the taxes to which he must submit in behalf of others in order that the system may be completed. Mr. Peter Cooper says that the tariff ought to just about offset the difference between American and European wages. If that could be done and were done, it would just take away from the American laborer those superior advantages which made him or his ancestors come across the ocean. Now, from this tangle of absurdities and contradictions and ignorances and guesses, it is expected that guidance will come which shall lead the American producer to a better organization of industry than he could arrive at if left alone, so that greater accommodation of capital and larger wages would follow. From such causes no result, save waste and loss, can ensue with reduction of capital and lowering of wages."

According to Mr. Sumner, the politician — say rather statesman — has never brought any intelligence to bear upon the question of how to deal with the whole combination of industrial interests! Well, now, let us order out an immense pair of scales. Into one we will put Franklin, Washington, Jefferson, Madison, Monroe, Jackson, Webster, after he had studied the subject, — in short, we will put a large majority of the statesmen of the United States for a hundred years; and into the other we will put Mr. Sumner, backed by theories which all the great economists repudiate. Is it easier to believe that all these great intelligences were ignorant and corrupt, or to believe that Mr. Sumner's dialectics have led him, and tend to lead others, into fatal error? Let any one who desires the truth peruse their speeches, messages, and letters; or let him read Mr. Hamilton's report on manufactures, and compare its prophetic wisdom with Mr. Sumner's production now under review. Let him note the objects for which Hamilton recommended the protection, and then let him look at the United States and see whether those objects have or have not been attained; let him compare Massachusetts with the more fertile Canada, — Canada, too, which has been aided by our protective policy, which has prevented the foreign markets from being overwhelmed by the immense mass of our raw products which are similar to hers. Paragraphs 16 and 17 read: —

"2. It is alleged, in the second place, that protection brings capital into use which would otherwise be idle. Every one of us who has any capital is anxious to put it to productive use without delay. It is impossible, in the

nature of things, to keep all capital all the time employed. Improvements (such as a better credit system) which make this more fully realizable are eagerly adopted. The argument I have quoted means that in spite of this eagerness, and in spite of the chances for employing capital on a new continent, some portion of the capital now in protected industries would not be in use if it were not for protection. Such a notion is beneath discussion.

"There is, then, no way in which protective taxes can produce capital. Every analysis shows that they waste it. Not a cent can come to A by the action of the tariff which does not come from B. The consequence of universal borrowing, or stealing, or gift-making, however, is not to increase capital but to waste it. Hence protective taxes lower wages. The laborers have been exhorted to vote for protection, lest their wages should be reduced to European rates. I have shown that the rate of wages obtained here is due to the economic forces at work in this country. There is only one thing which could reduce American wages to European standards, and that is protective taxes applied long enough and with sufficient weight."

In Mr. Sumner's article in the "Princeton Review," already alluded to, he said: "*The rest is all phrases intended to occupy attention while the thimblery is going on.* If this is not so, let some protectionist analyze the operation of his system, and show by reference to undisputed economical principles where and how it exerts any effect upon production to increase it."

He himself threw down the glove; I picked it up, and, shutting my eyes to the imputation of dishonesty, I replied in an article which was, at all events, courteous. Mr. Sumner says that it is beneath discussion. I am content to reaffirm my arguments, and to leave it to competent judges to decide whether or not they are beneath discussion. Possibly they are not so much beneath discussion as above refutation. In the article in question, which can be found in all the great libraries of the United States in a volume entitled "Free Trade and Protection," I pointed out the precise manner in which, in a country already possessed of a great variety of industries, the floating capital, converted to a fixed form, was almost instantaneously reproduced, so that the nation became owners of the fixed capital, either merely by calling out more labor or by turning to the production of capital what otherwise would have gone into new carriages, furniture, houses of luxury, &c., and that the result came about generally by the former rather than by the latter means; the fixed capital resulting from a fuller employment

of the people, and not by a mere diversion from one work to another.

Mr. Sumner thought he had me alone to deal with, but he has another infinitely more formidable antagonist in Mr. John Stuart Mill. Let any one turn to Book IV. Chap. V. of Mr. Mill's "Political Economy." Mr. Mill had in mind, to be sure, the effect of an abstraction of capital by government for purely unproductive purposes; but the reader will see at once that the argument is much stronger with regard to measures leading to the construction of fixed capital, which would forever after be productive of commodities. A does *not* get his capital from B, for A can, upon the average of years, obtain only the profits current in the community. A gets his capital out of his own abstinence. If the manufactured article at first costs more, it must, with increasing skill, cost less and less, and by necessity, enforced by competition, be sold for less and less. If B, whose wages or salary is in money, pays more, C, D, and the rest of the alphabet, practically pay less, for they can pay with commodities they produce, and for which the new industry occasions an additional demand and a better price. Even B is compensated, and more than compensated, by an augmentation in his salary or his profits, growing out of the general increased prosperity of the country.

It is easy to call this "thimblerrigging," or a "bungle of absurdities, contradictions, ignorances, or guesses;" but calling names is not economical reasoning. If there be anything wrong in the deductions, some one can show with precision and courtesy the exact point in which they are wrong. It is not the protectionists who shrink from bringing doctrines to the test of the methods of economic reasoning laid down by the greatest recognized authorities.

Mr. Sumner says he has shown that the rate of wages now obtained here is due solely to economic forces at work in this country. In this he is in error. He has only shown that the *minimum* of wages cannot be less than food and such small modicum of clothing and other conveniences as a nation producing raw products could obtain from foreign markets eternally glutted with such products. He has not shown, nor can he (without admitting



the effects of protection) show, how the much higher existing rate of wages has come about. The intimation that higher or long-continued protection could reduce wages involves the economic absurdity which supposes that, in a population of fifty millions, under free competition, the profits upon protected industries can, upon an average of years, be higher than upon others. Upon this point I appeal from Mr. Sumner to Adam Smith, Ricardo, Mr. John Stuart Mill, to the universally accepted conclusions of economic reasoning, and to common sense. They are all upon one side, and all against Mr. Sumner. Paragraphs 18, 19, and 20 read thus:—

"There is, however, another argument which must be considered in this connection. It is said that under free trade all our population would go into agriculture, and that wages and all other remuneration for labor would be reduced until we should all be in poverty together. Hence the agriculturists, and the mechanical laborers, too, are exhorted to support a wide protective system in order to diversify industry and prevent ruinous competition.

"We have seen above that the direct cost of keeping up the protective system consists of three items: (1) payment of custom-house officers to keep goods out; (2) support of laborers, and profit on capital in protected industries; (3) the losses of the protected industries. These costs must be paid to buy off competition.

"In the first place, it can pay no one to buy off competition unless he has a monopoly. Protected industries have done it sometimes. American farmers share the world's market with a number of strong competitors. If they buy off the competition of American manufacturers they must bear all the cost of it; and they must share the gain, if any, with all the agriculturists in the world. That means that if they try it they will put themselves at a great disadvantage with their own competitors in the world's market."

The expense of custom-house officers is too trivial to be considered. The support of laborers and profit on capital in protected industries is paid out of the exchangeable value of their products: the losses of the protected industries consist of the higher cost of their products, calculated upon present prices here and abroad. It amounts even now to very little. The gain to the nation is the whole value of what must have been sent abroad to purchase those products. The gain to the agriculturists is a certain home market, already twice as great, and destined in twenty years to be four times as great, as the market of the world affords him. They now sell abroad say seven hundred millions, and twelve

hundred millions at home, or nineteen hundred millions. This is the market required by half the population. The whole population employed on the soil would require a market for forty-eight hundred millions. Nowhere on this planet is there a market for one half the amount; and in twenty years the case would be twice as bad. But it is not necessary to take an extreme case, although Mr. Sumner challenges it. We need only inquire into the effect of offering abroad twice as much as we do now, to be convinced that the purchasing power of raw products would be vastly less than it is now. The farmer does not lose, but gains, and gains immensely, by that better distribution of the community which the necessities of his argument compel Mr. Sumner to describe as "buying off the competition of the manufacturers." By favoring such a distribution they have not put themselves at a disadvantage, as compared with their competitors in the foreign market. On the contrary, the resulting wealth of the whole nation has overflowed upon them, and given them much more and better clothing, tools, and machines than they could possibly have obtained under a *régime* of free trade. The arrangement has helped other agricultural countries, doubtless; but that need not distress us. It has helped ourselves vastly more. Paragraph 21 says:—

"In the second place, all the protected industries of this country are now parasites on the naturally strong industries. Agriculture now supports itself and all the rest and all their losses. Therefore, even if it were true that all the population would, under free trade, take to agriculture, it is mathematically certain that agriculture could support them all better directly than under the present arrangement."

To this I must add a sentence already quoted in paragraph 3. It is this:—

"No wonder the protectionists are enraged at the economists who are still stupidly teaching that we can produce nothing except by applying labor and capital to land."

There is nothing in this to enrage, but there is much to astonish and amuse. The doctrine is that of the Physiocrats of France, and has been supposed to have been disposed of by Adam Smith in his lectures one hundred and thirty years ago.<sup>1</sup> All the

<sup>1</sup> See *Wealth of Nations*, Book IV. Chap. IX. § 28, &c.

world thought it had been decently buried, but Mr. Sumner with sacrilegious hand has disinterred it.

Let us add a word to what Adam Smith says. As already pointed out, the United States produce annually seven thousand millions worth of finished products. Agriculture and mining furnish the raw materials, worth three thousand millions; manufactures and the mechanical arts bring these into a shape suitable for consumption, and trade and transportation place them where they can be consumed. Each class is indispensable to the production of the vast aggregate. It is in vain to argue that the other industries could do nothing without raw materials; for it is equally true that agriculture and mining, such as they are to-day, could not exist without the machines, the admirable tools, the clothing, the barns and stores and dwellings, and the transportation afforded by the other industries. Nor will it do to affirm that these fifty millions engaged in agriculture could procure those things cheaper and better from abroad.

No such conclusion can be arrived at either by the theoretical deductive reasoning of any recognized political economy of to-day or from the inductive reasoning of practical men. Mr. John Stuart Mill, were he alive, would feel for it as little respect as is felt by statesmen and business men. It not only is not practical wisdom or a guide to practical wisdom, but it is not political economy of any school, save one which has been forgotten for more than a hundred years.

Agriculture, then, does not support itself and all other industries, and therefore it is not mathematically certain that it would support us all better directly than under the present arrangement. It is, on the contrary, as certain as anything can be made by means of economical reasoning or by reasoning from observation, that a reversion to agriculture and trade alone would reduce by one half the amount of necessities, conveniences, and luxuries now enjoyed by the people of the United States. Paragraphs 22-28 read:—

“The farmers would indeed gain a great deal if the protected people would keep still and not do anything, for then they would at least waste nothing. The earnings of farmers and the wages of laborers would then not be reduced so much as they are now. The protectionist theory, however, is that it is-



creases wages to keep on an occupation which wastes capital and lessens all the time the goods within reach of the population. It is interesting to apply this theory to some other cases.

"On the protectionist theory it would be a means of raising wages to keep up a big standing army. All the soldiers would be withdrawn from competition in the labor market, and would consume while producing nothing. In time of peace they would not be destroying anything; but in time of war they would be just like a protected industry, — they would be wasting capital all the time. In that case, then, they would raise wages all the more.

"On the protectionist theory a leisure class of idle, rich people make wages higher than they would be if the same people should go to work. By the same reasoning women who now consume without producing would lower wages if they should go to work, and while consuming, as they now do, should compete in the labor market. Indeed, this view of the matter is very often taken, and perhaps the popular view is that the rich make wages high, if they not only keep out of the labor market, but also consume luxuriously, and do not save anything.

"On the protectionist argument paupers living in an almshouse raise wages as compared with what wages would be if the same persons should no longer consume unproductively, but should come out and compete in the labor market while consuming as before. On the same argument paupers who produce something, though less than they consume, lower wages compared with what would be the case if the paupers did nothing; still more as compared with the case in which the paupers should destroy.

"On the protectionist argument, convicts in the state prison raise wages by consuming the product of taxation in idleness, and lower wages if they go to work, and, while consuming as before, produce something, because in the latter case they compete in the labor market. In fact, criminals out of state prison would satisfy the protectionist reasoning still better. They always destroy far more than they produce, and they do not compete with laborers. They would, therefore, raise wages by their operations. It would be a limitation of their beneficent action to put them in prison as consumers in idleness, still more so to set them to work at a useful industry.

"On the protectionist view of the matter the trade-unionists are right when they adopt wasteful processes, practise shiftlessness and neglect, study not to be skilful or effective, and try to make work, as they call it, believing that they thus raise wages. The protectionist and the trades-unionist both mistake toil for wages. They think that when they increase the difficulties which intervene between us men and goods they increase wages, and that to make goods abundant is to lower wages.

"On the protectionist theory those men in the riot at Pittsburgh, who exulted in the destruction of the city because they thought that it would make work, which they confused with making wages, were right from their point of view. No man wants work; that is, toil, or irksome exertion. Least of all does the man who has no capital want toil. He supplies toil. He cannot



supply and demand the same thing. He demands capital on which to live. When capital is destroyed and toil is necessary to reproduce it, the ratio in which toil must be given for capital is rendered more unfavorable to the laborer ; that is, wages fall. If they do not fall on the spot where the destruction took place they must fall elsewhere whence the capital is drawn to replace the capital destroyed. If Pittsburgh had to be rebuilt other cities could be built up just so much less. If Pittsburgh had not been burned up the capital which went to replace it would have been used to employ laborers in adding so much more to the comfort and possessions of the country. The country is poorer for all time by the capital there destroyed, with all its accumulations. Just so every year that this nation, on account of the protective system, attains to the possession of a less amount of goods than it could have obtained under freedom, the effect is the same as if we had produced a city and had seen it burn up ; and anybody who believes that the protective taxes raise wages must believe that to burn up cities raises wages. All these notions are miserable fallacies, which sin against the first elements of common sense. He who believes that the way to raise wages is to hinder people from getting at things easily and cheaply, or to refrain from the most profitable modes of obtaining goods, must believe that workmen raise wages when they stop working and go out on strikes, and lower wages when they go to work again. Trades-unionism and protectionism are falsehoods. The way of prosperity for human society is by industry, economy, thrift, skill, energy, painstaking, excellence, liberty, abundance, and not by some crafty and artificial devices to produce scarcity and bad work. The protectionist system requires a new set of proverbs which have never yet found their way into any popular philosophy, such as these : Want makes wealth ; destroy and prosper ; taxes are wages ; to have much produce little ; blessed are the bad workman and the foolish capitalist, for they shall get abundance."

I have already shown that according to the protectionist theory the whole amount which would be sent out of the country to buy the goods now made in it by protected industries,—this whole amount less the amount by which home-made goods exceed in cost the foreign, is a gain to the country, even taking prices at their present point ; for the labor now employed would, if transferred to the land, reduce the exchangeable value of the totality of raw products,—it would be a minus quantity. Protection therefore increases capital, and increases all the time the goods within reach of the population. The theory of protection, then, is absolutely the reverse of what Mr. Sumner alleges it to be, and it is a theory in perfect accord with methods of reasoning always adopted by the great economists excepting when they are arguing for a preconceived opinion. It is a theory also which is

in harmony with facts. It explains the past and the present. It explains with precision and in an intelligible manner the poverty of Ireland and Portugal and Turkey and India, and why all purely or disproportionably agricultural nations and states are poor, &c. It is not necessary, then, to follow Mr. Sumner into the side issues of paragraphs 22-28. They all fail to be analogies in every point but one, and it would require many pages to examine them in detail. I will notice only one sentence. Mr. Sumner says that "the way of prosperity for human society is by industry, economy, thrift, skill, energy, painstaking, excellence, liberty, *abundance*." But abundance in political economy is prosperity. The way of prosperity then, according to Mr. Sumner, is by prosperity. This is an identical proposition. But, abstaining from taking advantage of this, let us strike out the word *abundance*. The other means he enumerates would certainly not lead to abundance or prosperity if we insisted upon producing only or even more largely the raw products with which the world is already oversupplied, and abstained from producing the finished products we ourselves require, and which can be had in abundance only through our own labor. The new set of proverbs which Mr. Sumner offers to protection are borrowed from Bastiat's "Sophisms of Protection," a book which a great lawyer once said to me was in his opinion the most sophistical work he had ever read. The new proverbs are totally inapplicable, and protection declines to accept them.

The precise point in which Mr. Sumner's reasoning is faulty is the assumption that prices of finished products abroad would remain the same under a vastly increased demand, and that the prices of raw products abroad would remain the same under a vastly increased supply. None of the great economists would indorse such an assumption; on the contrary, the methods of reasoning adopted by them all justify the protectionist conclusions, and warrant them in affirming that the exchangeable value of the annual product of the United States is vastly increased by protection. But we have the authority of Adam Smith and Say and Mr. Mill for the conclusion that the exchangeable value of the annual product is precisely equivalent to the totality of the individual incomes. Protection then raises all incomes, and wages

among the others. There does not appear to be a particle of doubt that, according to the accepted economical reasoning, we ought in the United States to have high wages in consequence of protection; and experience shows that we have high wages which bring to us annually three fourths of a million of people from almost every country of the earth. Paragraph 29 runs:—

“Let us now look at the other dogma: High wages make protective taxes necessary. It is the very opposite of the truth. If wages are high, that is the reason why no protective taxes are needed, even if they might be in some other case. In Germany the protectionists generally allege that lower wages in Germany than in England are a proof that Germany is industrially inferior, and needs protection against England. The protectionist argument never flags on account of any little variation in the facts.”

This argument is, I believe, borrowed from Mr. David A. Wells, and is thus answered by a free-trade writer, Professor Cairnes: “Mr. Wells shows that labor in England, though much higher than in most European countries, and in particular than in Russia, is still so much more efficient here than there, that the high English rates are practically cheaper for the English capitalist than the lower continental rates for the capitalist of the Continent. What is the bearing of this upon the American demand for protection against England? Will Mr. Wells maintain that, as the efficiency of English labor is to that of Russia, so is the efficiency of American labor to that of English? If not, how does his objection to the protectionist criterion of costs, founded upon the different degrees of industrial efficiency, affect the argument?”

In short, Mr. Wells's argument was this: If in the case of England a high rate of wages is the result of greater skill or other greater advantages in the iron and textile industries, then a still higher rate of wages in America is a proof of still greater skill or other advantages in the iron and textile industries, or generally in the conversion of raw into finished products! It is this absurdity which his words suggest and insinuate, although when confronted with it he would say, “Oh, no! I only mean that if high wages are paid it must be because the products of the country find a market at home and abroad which makes it possible to pay such wages. If the liberal wages now paid in the United States to the iron and the textile industries could not be paid



under free trade, this only proves that those industries are carried on at a loss, which loss must fall upon the unprotected industries." The answer to this is, that the industries in question produce about seven hundred and fifty millions, or one tenth of the annual product, and so support directly and indirectly one tenth part of the population. Were it not for these industries our production of raw materials must be increased by one tenth, that is to say, by an amount equal at present prices to three hundred millions, and the demand for iron and textiles in the outer world would be increased by seven hundred and fifty millions. There would be, then, an advance in finished products and a sharp decline in raw products, and the exchangeable value of what we had to offer would be diminished enormously. Agriculture not only would not gain, but it would lose immensely. Paragraph 30 reads:—

"In the arguments under this head of the subject, it is constantly assumed that wages are the controlling condition in production, or that there is some direct connection between the wages paid and the value of the product or the profits of the capitalist employer. These assumptions are false. Suppose that an individual comes forward and claims that he cannot compete because he pays higher wages than a foreign producer. When has any examination ever been made to find out whether such person has an adequate capital, or has a competent knowledge of the business, or diligently attends to his business, or has located his establishment wisely, or has organized his business economically, or has bought his raw material judiciously, or has kept up with improvements in machinery, or has not speculated with his product unsuccessfully, or has not violated some one of the other conditions of success? The wages paid are but one, and often one of the least important conditions of production. If it is alleged, as it constantly is in this controversy, in a sweeping way, that American industries need protection because American wages are higher than foreign wages, it is a case of joining a very wide inference to very inadequate premises. What are the comparative conditions of industry in America and elsewhere as regards convenience and cost of raw materials, quality and cost of machinery, rent of land used, character of the climate as affecting the requirements of various industries, national character as respects industry, diligence, sobriety, intelligence, &c., of laborers, distance from the market or convenience and cost of transportation, convenience and cost of natural agents (coal or water), taxes and tax system, the security afforded by the excellence or otherwise of the government, &c.? Surely it is plain that these things are the conditions of production; and the comparative money rates of wages, taken apart from the purchasing power of money, or the efficiency of labor, to say nothing of all the other conditions

enumerated, are by no means a criterion for a decision whether an industry can be carried on successfully or not. The lists of comparative wages which have been made, and which are relied upon by protectionists, and are often accepted by free-traders as pertinent to the issue, and perhaps as decisive of it, have no value at all for the purpose. The employer alleges that he can make no profits because he pays high wages. He assumes, apparently, that wages and profits displace each other. It is certain that they do nothing of the kind. There is no ascertainable relation between wages and profits. Wages are paid out of the capital during the period of production. The employer tries to keep wages down, just as he tries to keep down cost and waste of raw material or wear of machinery, because he wants to economize on his outlay. He, of course, tries to minimize every outlay, because that is the road to success in the competition of the market, and to maximum profits. The price of his product, when he gets it done, will be determined by supply and demand on the market. He must replace his capital, and then he will find out what profit he has. No law whatever can be established between this profit and the wages which were paid to the men while they were making the article. Profits and wages may both be high or both low at the same time, or one may be high and the other low. The fact is, that instead of one being displaced by the other, they most always go together, both high or both low at the same time."

In this paragraph Mr. Sumner succeeds very well in confusing the reader by enumerating a great many other things which affect the cost of commodities, perplexing the subject by using the very reverse of the method employed, when we seriously desire to ascertain the plus or minus effect of a certain cause.

The true method is to isolate the cause, and see how it must act when taken alone, or with other things equal. Well, then, a commodity being produced is offered in the market and sold at a certain price. From this price  $F$ , the foreigner, has to deduct the cost of materials and  $x$  wages, and what remains is profit. From this price  $A$ , the American, has to deduct the cost of materials and say  $x$  plus  $y$  for wages. The additional  $y$  incapacitates  $A$  from contending with  $F$ . Higher wages, then, are indisputably a reason for protection, especially when we recollect that they enter into the cost of forming fixed capital and into the cost of repairing fixed capital, as well as into the sums paid directly for the work performed in shaping the commodities. It is of course necessary to success "that a man should have adequate capital, a competent knowledge of his business, must diligently attend to his business, must organize his business judiciously,

must have kept up with improvements in machinery, have abstained from speculating with his product unsuccessfully, and have not violated some one of the other conditions of success;" in short, he must be well enough to get out of bed and sane enough to keep out of the lunatic hospital. But all these things are as necessary to F as to A. They have nothing to do with the question of the effect of a higher price of labor, into the discussion of which they are brought.

If Mr. Sumner means that we cannot contend with England in manufactures because we do not attend to our business, it may be noted that we are the same race of men as beat the pauper farm-laborers of Europe in their own market. It is fair to suppose that we should use as much diligence in the one occupation as the other. If he says no, because protection makes the protected manufacturer careless, the answer again is that all, or very nearly all, protected articles are very much cheaper, upon an average of years, than the foreign article with duty added; and in not a few the domestic article is cheaper than the foreign article without any duty. If the duty made the protected industries thriftless, in spite of internal competition, we should have prices remaining continually only very slightly below the point at which they can be imported and pay duty. If, on the contrary, he means that we are more careful, more skilful, or rapidly becoming more skilful, than the foreigner; that our general high rate of wages causes a careful selection of the most skilful, and great attention to have the best machinery, &c.; and that this being so, we ought to be able to manufacture as cheaply as the foreigner in spite of the difference of wages, — the answer is, that the fact of prices being already much less than the foreign commodity with duty added, is sufficient proof that the duty is not preventing our *advance* in the desired direction; that we have already reached the goal in common cottons, locomotives, agricultural machinery, tools, &c., and nearly reached the goal in such woollens as are used by the great mass of the people. The duty troubles nobody much except the users of the finer cottons and woollens and other luxuries. The men who get their one, two, or three dollars a day feel the tariff only through its beneficent effects upon their wages; it is the men who get their ten



and twenty and thirty dollars a day who are very erroneously thinking themselves oppressed. If they really were oppressed, it might be reason even for class legislation; but they and their families would spend just as much in ostentation were there no custom-house in the country. Paragraph 31 says:—

"It is much more to the point to notice that profits are higher in this country than in Europe. We ought not to take too low views of human nature; but when an employer pretends to bull wages, we shall not believe him without examination. When we notice that profits are high in this country, we can understand the applicants for tariff favors, without assuming any disinterestedness. No capitalist will go into a business which gives less profit than some other which is open to him. The American producer does not want to put up with the rates of profit which his European competitor is satisfied with. He wants the rate which he could get if he went into one of the industries which are favored by nature in this country. Instead of going where he could get it on a natural basis, he wants the law to tax his fellow-citizens to give it to him. The talk about wages is all for effect. It is only so much smoke and noise imported into the contest to obscure the issue. It has had no little effect, because no one has taken the trouble to expose it in detail. The competitor whom we fear most is England, in which country wages are higher than anywhere else in Europe. How does England pay high wages and beat all the others, if high wages are the controlling consideration? And if she pays higher wages than the continental countries and beats them all, because other considerations come in, why may we not pay higher wages than she and beat her, at least in our home market, because other considerations come in? The nearest approach to pauper laborers in Europe are agricultural laborers. Our farmers send their products, raised by men remunerated at American rates, and pay transportation, and beat the pauper laborers in their own home market. How can this be done if the criterion of possible competition is the comparative rate of wages?"

Mr. Sumner here intimates that the manufacturer who tells the workingman that the tariff sustains and tends to increase wages is deluding the latter with a statement he does not believe, because his own interest is to have wages low. Yes; but it is also his own interest to sustain a policy which makes his industry possible in spite of the high wages. But the manufacturers are not the only men whom Mr. Sumner accuses of dishonesty in this matter. The highest statesmen of the land he believes to be simply telling lies when they speak in the manner he disapproves. He cannot believe that there are any men who, looking forward to the time when population must begin to press

upon subsistence, feel it to be of the greatest possible importance that high wages should continue from now till then, and that the change should find a people so long used to good living as to refuse to descend into beggary. I am sorry he thinks such sentiments to be hypocrisy. He differs from Mr. Mill in this as much as he does in political economy.

Mr. Sumner asks, If England can pay higher wages than the Continent and beat the Continent, why cannot we pay higher wages than England and beat England? Answer: Because England's superiority in skill more than counterbalances the lower wages of the Continent, while we have not a similar superiority over her. He also asks how our farmers compete with European, if the criterion of possible competition is the comparative rate of wages. The answer is, that nobody ever said that wages were the criterion, but only one of the elements. The English farmer has to pay three times as much in rent as the American farmer pays for wages, and he has to use vastly more labor per acre, and he has to use fertilizers. When manufactures and the mechanical arts have a similar advantage, they certainly will need no protection. Paragraph 32 reads:—

“If it is said that we cannot compete, what is meant? These phrases are allowed to pass without due examination. I cannot compete with my inferiors or with my superiors. I cannot compete with an Irish laborer at digging a ditch, and I could not compete with the late Mr. Scott in running a railroad. Could any taxes enable me to run a railroad as Mr. Scott did, and to earn such remuneration as he earned? Certainly not. No taxes can possibly enable a man to compete with a superior. Could any taxes enable me to compete with an Irish laborer at digging a ditch? Indeed they could. They might interfere between me and the laborer, and prevent me from getting his services, and I might be forced to dig my own ditch, turning away from other and better paid occupations to give my time to an inferior occupation. That would impoverish me. Such is the only way in which protective taxes can make competition possible. They drive us down to compete with those who are far worse off than we instead of allowing us the full use of our natural advantages.”

If the condition of things were such that, without a protective law, so many persons would crowd into professorships as to depress the *exchangeable* value of their services below those of ditch-diggers, then a law which should cause some of those would-be

professors to dig ditches would increase the annual product, and raise the rate of wages. Paragraph 33 says : —

"If we have high wages, then they are a proof of industrial superiority. They prove that there are some lines of industry open to us, as a nation, in which great returns for both labor and capital may be obtained. To argue from high wages that we need protection is like arguing that a man needs charity because he is rich, or needs help because he is strong."

If we have high wages, they are a proof that we have a wisely distributed variety of industries ; that we have not, by *overdoing* the production of raw products, thrown away our natural advantages, so as to go half clad in the midst of fertile fields. To argue from high wages that we do not need protection is like arguing that a man's methods of business must have been bad because he has become rich, or that the organization of a victorious army had been pernicious, and that greater success would have come if each man had waged the war by himself. Paragraph 34 says : —

"A true analysis of the facts therefore shows us that protective taxes lower wages, and that high wages are not a reason why protective taxes are necessary. We get the remuneration of labor by using our natural advantages. The remuneration of labor is high because the advantages are great. It will be highest if the laborer is let alone to use the advantages without any restraint or interference. If we get a high remuneration by the use of our advantages, our strength in competition will come from the very advantages of nature which gave the high rewards of industry. Thus every aspect of the matter is consistent and straightforward, clear and natural. The more we study the case in all its aspects, the more thoroughly is the free-trade solution of it confirmed ; for, instead of entangling ourselves in ridiculous absurdities, we find that all the relations are simple and consistent."

He who studies Hamilton's report upon manufactures will see that he expected general prosperity—that is, high wages—to flow from protection, and why he expected it. He who studies the United States to-day will see that the event has justified his theory, and he will see that his theory accords with the wisest thought of the great writers upon political economy. We get a great remuneration to our labor by using and not throwing away our natural advantages. The remuneration of labor is high because we do not press those advantages beyond the ability of the world to absorb their products. We should entirely throw away those



advantages if the laborers, instead of acting in concert for the greatest good of all, had each acted independently. If we get a high remuneration under protection, that is evidence that protection was needed, and will be needed until we gain a skill so much greater than others as to overbalance the greater cost per man of our labor.

Thus every aspect of the matter is consistent, straightforward, clear, and natural. We are not, like the free-traders, confounded by the presence of prosperity in the United States in spite of and in contradiction of all our theories, nor by the presence of the direst poverty in Ireland, Portugal, Turkey, and India. Paragraph 35 reads : —

“The application of these ideas to the matter in hand is simple and direct. I have spoken wholly as a political economist whose business it is to study theoretical questions. If it is proper to do anything about wages, the right thing to do is to abolish all protective taxes, and that will let them rise where they ought to be.”

The author of this review of Professor Sumner's paper has written wholly as a political economist whose business it has been for many years to study theoretical questions. It is of the utmost consequence to sustain wages, and this will be done by continuing the protective policy. Otherwise the growth of our non-agricultural industries will be checked, and the country will become disproportionately addicted to farming, with a constant diminution of the profits of that occupation and of wages and profits in all occupations.

We have now finished Mr. Sumner's paper. He had afterwards a long conversation with the Commissioners, in which he repeated that protection lowered wages, declared that New England would have been greatly richer had there never been any tariff, and that the South was about to greatly harm herself by introducing manufactures; and he scoffed at the theory of Franklin, Adam Smith, and Mr. Mill which teaches the great advantages of frequent industrial centres to the farming population. This he dismissed by calling it the famous Truck Farm argument. It is not necessary to go through those conversations, as they evolved no new point, and as the positions above referred to are not warranted by any reasoning in accordance with the political economy of the

latter half of the nineteenth century as set forth by Mr. Mill and by many authors on the protectionist side. I believe there is not a particle of doubt that protection sustains and gradually raises wages; that New England and the whole country is greatly richer by reason of it; that the South is doing very wisely in introducing manufactures; and that the "Truck Farm argument" is sufficiently justified by the authorities I have named, by all sound economic reasoning, and by common sense.





